

BUDGET LETTER

SUBJECT: PREPARATION OF 2012-13 GOVERNOR'S BUDGET	NUMBER: 11-20
REFERENCES: BL 11-16 (INITIAL PAST YEAR 10S)	DATE ISSUED: August 4, 2011
	SUPERSEDES: BL 10-17

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) provides guidelines for the technical/procedural preparation of the 2012-13 Governor's Budget. Strict adherence to all schedules and due dates stipulated in this BL is required. **Please remember that all information contained in documents used during the development process is strictly confidential until the release of the Governor's Budget.**

I. SUBMITTAL OF BUDGET SPREADSHEETS

In early September, each department will receive an electronic copy of the final 2011-12 budget spreadsheet (with minor format changes) from its Department of Finance (Finance) budget analyst. Departments must use the provided spreadsheet to prepare the 2012-13 fiscal statements. A first pass of the budget spreadsheet will be optional. Finance budget analysts will determine which budgets would benefit from submitting a first pass of the budget package, and notify those departments. The specific due dates for the budget spreadsheets will be provided to each department by its Finance budget analyst.

Please note: it is imperative that departments do not change the structure or format of the spreadsheets.

Additional technical instructions on updating the 2012-13 budget spreadsheets will be provided in upcoming training classes.

II. 2012-13 GOVERNOR'S BUDGET PREPARATION TRAINING

Finance will be offering technical training on the 2012-13 Governor's Budget process to department staff. These classes provide instructions regarding the Schedule 10s, the Detail of Appropriations and Adjustments (DAA) process, Schedule 10Rs, Fund Condition Statements (FCS), Salaries and Wages (Schedule 7A) spreadsheet process, budget spreadsheets, budget narrative, major program/project changes, and detailed budget adjustments. A notice regarding training classes was sent to departments via the Budget Operations distribution list on June 2, 2011. For your convenience, the link to the training class registration page has been included below:

http://www.dof.ca.gov/budgeting/training/budget_process/

III. UPDATING NARRATIVE INFORMATION

Each department is requested to review and, as necessary, update the narrative statements displayed in the Governor's Budget. Narrative reports with information from the 2011-12 Governor's Budget will be distributed to each department in early September and will include the following narrative components for each organization:

- Mission Statement
- Legal Citations and Authorities
- Program Objectives Statement
- Infrastructure Overview (provide only if applicable)

Each department must provide changes to its respective Finance budget analyst by the agreed upon date. Finance budget analysts will update the Data Capture System for all revisions received from departments per critical budget deadlines.

IV. AUTOMATED DETAIL OF APPROPRIATIONS AND ADJUSTMENTS PROCESS

Finance anticipates distributing the DAA reports and FCS to departments based on the receipt of the updated 3-year Schedule 10s from departments. Since all fiscal statements in the budget must tie to the rounded expenditure dollars in the DAA report, departments are encouraged to update their Schedule 10s with approved changes and submit them to Finance as often as time permits to receive an updated report prior to submittal of the budget spreadsheet. The BL addressing past, current, and budget year Schedule 10s will include further instructions on this process.

V. AUTOMATED FUND CONDITION STATEMENT PROCESS

Finance will distribute with each DAA report an automated FCS document for each special fund and certain other bond, federal, or nongovernmental cost funds that Finance has designated for display in the Governor's Budget. Departments are required to return these FCS documents (with any prior year adjustment) when the 3-year Schedule 10s are submitted to Finance.

VI. ADJUSTMENTS TO BE INCLUDED IN BUDGET SPREADSHEETS

The departmental submission of the budget spreadsheet package should reflect all known baseline adjustments including but not limited to:

- Carryover appropriation balances
- Financial legislation with specific appropriation
- Limited-term positions
- Expiring programs
- One-time cost reductions
- Full-year costs of current year programs
- Other adjustments approved by Finance

VII. BUDGET GUIDELINES

Rounding: All amounts in the Governor's Budget must be rounded to thousands. This includes information in the budget spreadsheets, Planning Estimates, Budget Change Proposals, Schedule 10Rs, and supplementary schedules. Do NOT use whole dollars on these documents. Amounts between \$500 and \$999 should be rounded to \$1,000, and amounts \$499 and under should be rounded to \$0.

Note: Only the past and current year Schedule 10s and Salaries and Wages spreadsheets are in whole dollars and NOT rounded to thousands. However, the budget year Schedule 10s, while in whole dollars, will be rounded to the nearest thousand, but the three zeros **will not be dropped**.

Departments must use the DAA report to tie to the expenditures reported in other fiscal statements in the department's budget. The Schedule 10 adjustments, in whole dollars, are summed, and the rounded total is printed on the appropriate adjustment line in the DAA report. This may result in a difference between the totals on the report and the totals on the Schedule 10s. Differences of \$1,000 or \$2,000 are acceptable. Please refer to BL 10-30, Attachment I, for Rounding Rules.

Budgeting Proposed New Positions: Proposed new positions must be budgeted at the mid-step of the salary range for a given classification unless a higher level is justified and approved by Finance. For positions with interchangeable classes, departments must budget new positions at the mid-step of the: (a) minimum salary range for the top class for groups consisting of two classes; (b) middle salary range (mid-step) for groupings which contain an odd number of classes; or (c) lowest salary range of the third middle class for groupings which contain an even number of classifications in excess of two.

Unless otherwise approved by Finance, a minimum of 5 percent salary savings must be budgeted for new positions for both salaries and wages and staff benefits. Related fixed costs must be budgeted at minimum levels based on the past year actual expenditures of the classification requested.

VIII. COST-OF-LIVING ADJUSTMENTS

Discretionary Cost-of-Living Adjustments are considered policy adjustments and will not be included in the Planning Estimates or budget spreadsheets unless specifically approved by Finance.

IX. SCHEDULE 10s (SUPPLEMENTARY SCHEDULE OF APPROPRIATIONS)

The initial past year Schedule 10s, distributed July 22nd, are due to Finance by **August 29, 2011**. It is the department's responsibility to ensure that past year amounts agree with year-end financial reports submitted to the State Controller's Office. Departments must provide a written explanation of any discrepancies (e.g., timing differences) to their Finance budget analyst.

Finance will distribute updated past year Schedule 10s and initial current year and budget year Schedule 10s to departments in mid to late September and early October. Again, departments are strongly encouraged to submit Schedule 10s for clean-up and generation of the DAA report as often as time permits to incorporate decisions/changes prior to submission of the budget spreadsheets.

NOTE: Current and budget year Schedule 10s will not be generated and forwarded to departments until the completed past year Schedule 10s have been submitted to Finance. For detailed instructions on the preparation of past year Schedule 10s, please refer to BL 11-16.

X. SCHEDULE 10Rs (SUPPLEMENTARY SCHEDULE OF REVENUE AND TRANSFERS)

Instructions for reporting revenue and transfer data will be provided in a future BL.

XI. SUPPLEMENTARY SCHEDULES

The following supplementary schedules must accompany the final pass of the budget spreadsheets: (1) Supplementary Schedule of Operating Expenses and Equipment, (2) Supplementary Schedule of Federal Funds/Reimbursements, and (3) Supplementary Schedule of Equipment. These schedules must include complete past, current, and budget year data.

Refer to Attachments I, II, III and IV for the forms to be used for this purpose. These forms may also be obtained at: <http://www.dof.ca.gov/budgeting/forms>.

When preparing the Supplementary Schedule of Operating Expenses and Equipment, departments must use the current expenditure classification title and object codes from the Uniform Codes Manual (<http://www.dof.ca.gov/accounting/uniformcodesmanual/>). The expenditure classification titles and object codes were last updated May 2011.

All **final** supplementary schedules must be submitted to Finance, in both electronic and hardcopy form, with the final budget spreadsheets and must tie to the Governor's Budget. Finance will forward the schedules to the Legislative Analyst's Office and legislative fiscal staff.

If you have any questions or need technical assistance, please call your Finance budget analyst.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

STATE OF CALIFORNIA
 SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES AND EQUIPMENT
 DF-300 (REV 06/10)

Department of Finance
 915 - L Street
 Sacramento, CA 95814
 IMS Mail Code: A-15

Please report dollars in thousands.

DEPARTMENT NAME	BUDGET YEAR	CHARACTER (S.O., L.A., C.O.)	DATE SUBMITTED	PAGE OF
EXPENDITURE CLASSIFICATION	OBJECT CODE*	ACTUAL EXPENDITURES PAST YEAR	ESTIMATED EXPENDITURES CURRENT YEAR	PROPOSED EXPENDITURES BUDGET YEAR
TOTALS ¹				

* REFER TO UNIFORM CODES MANUAL (OBJECT LINE-ITEM) DISPLAY
¹ TOTAL MUST TIE TO EXPENDITURES BY CATEGORY, BY CHARACTER, AS APPLICABLE.

Please report dollars in thousands.

¹ TOTAL MUST TIE TO DETAIL OF APPROPRIATIONS AND ADJUSTMENTS BY CHARACTER, AS APPLICABLE.

¹ TOTAL MUST TIE TO DETAIL OF APPROPRIATIONS AND ADJUSTMENTS BY CHARACTER, AS APPLICABLE.

**SUPPLEMENTARY SCHEDULE—
FEDERAL FUNDS/REIMBURSEMENTS
DF-301—INSTRUCTIONS**

Federal Funds. The term "federal funds" includes grants, contracts, and reimbursements received directly from an agency of the federal government and reported as federal funds in the Detail of Appropriations and Adjustments in the Governor's Budget.

Reimbursements. The term "reimbursements" includes external reimbursements other than those received directly from an agency of the federal government.

1. **Department Name.**
2. **Budget Year.** Insert the dates for the budget year in the related Governor's Budget.
3. **Character.** Insert the character of the expenditure (state operations, local assistance, or capital outlay).
4. **Date Submitted.**
5. **Page ____ of ____.**
6. **Descriptive Title.** For each grant, use the title or popular descriptive name as listed in the Catalog of Federal Domestic Assistance. For each reimbursement, use the descriptive title in use in the department.
7. **Source of Funds.**

Federal Catalog. For each grant, use the five-digit number assigned in the Catalog of Federal Domestic Assistance. For federal reimbursements (made direct to reporting department) or contracts, use the Federal Catalog number if the federal program can be identified. Otherwise, use a five-digit number made up as follows: two digits (as in the Federal Catalog) to identify the federal department making the contract or the reimbursement followed by "999" (e.g., 13.999 for the Department of Health, Education, and Welfare).

Reimbursements From. Report the source of the reimbursements (other than direct federal reimbursements), e.g., another state department.

8. **Expenditures.**

For Federal Funds. Report separately the direct program cost, departmental indirect cost and statewide indirect cost as applicable for past, current, and budget years by character of expenditures. The totals reported on the Supplementary Schedule must agree with the Detail of Appropriations and Adjustments.

For Reimbursements. Report the direct and indirect program costs by character of expenditure. The totals must agree with the totals in the Detail of Appropriations and Adjustments.

Department of Finance
915 - L Street
Sacramento, CA 95814
IMS Mail Code: A-15

DEPARTMENT NAME		BUDGET YEAR		CHARACTER (S.O., L.A., C.O.)		DATE SUBMITTED		PAGE OF	
EXPENDITURE CLASSIFICATION AND ITEM/DESCRIPTION ^{2/}		ACTUAL EXPENDITURES PAST YEAR		ESTIMATED EXPENDITURES CURRENT YEAR		PROPOSED EXPENDITURES BUDGET YEAR			
		QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT		
TOTALS									

^{1/} Total must tie to Equipment line on Operating Expenses and Equipment schedule (DF-300), by character, as applicable.

^{2/} Indicate the standard nomenclature for the item requested such as typewriter, adding machine, automobile, etc.